

**CITY OF HORSESHOE BAY**  
**CITY COUNCIL WORKSHOP MEETING**  
**MINUTES**

June 28, 2016

The City Council of the City of Horseshoe Bay held a Public Workshop Meeting at City Hall, June 28, 2016 beginning at 9:00 a.m. in accordance with duly posted notice of said meeting with the following members present:

Stephen T. Jordan, Mayor  
Craig Haydon, Mayor Pro Tem  
Cynthia Clinesmith, Council Member  
Jerry Gray, Council Member  
David Pope, Council Member  
Reagan Lambert, Council Member

The posted agenda for this meeting is made a part of these minutes by attachment and the minutes are herewith recorded in the order the agenda items were considered with the agenda subject and item number shown preceding the applicable paragraph.

1. Call the Meeting to Order and Establish a Quorum: Mayor Jordan called the meeting to order at 9:00 a.m. with a quorum present. Mayor Jordan gave the invocation.
2. Presentation of Audited Financial Report for Year Ended September 30, 2015: Council Member Pope reported the Mayor, City Manager Farmer, City Finance Director and he met with the auditors on Monday, June 27 and they had some recommendations. He did ask the auditors what were the material weaknesses, were there conflicts of interest, how was the documentation, did they see any unusual or suspicious type activity, anything that gave them concerns or any disagreements with management. Council Member Pope reported all of those questions were answered on a very positive basis and the auditor's reaction was the City's budgeting process was a good one. Council Member Pope added that the principle thing he looked at was the financial performance based on the budget and the auditor was complimentary on that. Finance Director Larry Anderson said this was a little unusual for him to be presenting the audit for something he had done but unfortunately the auditor had a death in the family and could not be at this meeting. He said if anyone had questions that could not be answered today then the auditors would be happy to come back at a later meeting to address any questions the Council might have. Mr. Anderson said he City received an unqualified opinion which was a good thing and meant there were no qualifications to the opinion. He read from the auditors letter, "In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horseshoe Bay, Texas, as of September 30, 2015, and the respective changes in financial position and , where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted

in the United States of America.” Larry confirmed what Council Member Pope had reported earlier. He said on Exhibit G-1 of the audit the net change was within less than 1% of total expenditures which in his opinion was a great job. Larry gave credit to the Council, in particular Council Member Pope who meets with staff on a monthly basis to go over budget and actual numbers. He said in the auditor’s letter they addressed some findings, adding they reported no major or material findings, but they did mention some issues including a large number of adjustments they had to make. Larry said unfortunately the way the City’s accounting system was set up it required a lot of adjustments at year end. Larry said the City does not have a fixed asset module incorporated into the accounting system with a lot of it done on spreadsheets so it is tracked separately and then entered into the accounting system at year end. He said all of the Street Improvement Plan work done required some large adjustments into the general ledger and due to the magnitude of the adjustments it appeared there was some kind of issue, but in fact it was due to the way the accounting system was designed. Larry said he had spoken to Mayor Jordan, Council Member Pope and the City Manager Stan Farmer and they gave him permission to go in and redesign the accounting system this year, including the chart of accounts and activate the modules that were never activated in the past, such as the fixed asset, payroll and reconciliation modules. He said all of these things would make the accounting system more efficient. Larry said he did not know why these were not activated in the past, but a lot of the manual entries that have to be made at year end would be avoided by making these changes. He said the auditors were totally in favor of making these changes. Larry added he also currently has a new staff with a much better background in accounting. Council Member Pope added the financial statements were available within a week of the end of month which was a first which he felt was reflective of several things. The Finance Director was experienced in governmental accounting along with a strong accounting staff which was reflected in what Larry had stated. Council Member Pope asked when the new procedures and chart of accounts would take place. Larry said they plan to have it coincide with the new budget year beginning October 1. Council Member Clinesmith complimented staff on the audit results. Mayor Jordan commended Larry and his team on the results. The consensus of the Council was that there was no need for the auditors to return to meet with the full Council.

3. Budget Workshop: Mayor Jordan reported he had been approached by residents requesting Council consider funding the construction of Pickle Ball courts. Shirley Hampton, Horseshoe Bay resident and avid Pickle Ball player reported their group consists of approximately 50 players and about 70% live in Horseshoe Bay, with others in Blue Lake, Deerhaven, Meadowlakes, Granite Shoals and Burnet. She said roughly 60% are members of The Resort and many are winter Texans residing in HSB. Ms. Hampton added that the Burnet YMCA had 4 indoor courts; Meadowlakes just completed 2 courts and Granite Shoals Sports Complex had 3 courts. She said that there were currently no pickle ball facilities in HSB and only 2 makeshift venues one at Quail Point on the lower parking lot which they have to convert when they play by erecting and disassembling nets each time as well as installing portable snow fencing to contain out of bounds shots. The second HSB venue is the Andy Roddick children/youth courts where they have to lower the nets and stripe with painter’s tape. Ms. Hampton said the group proposed that the City install two courts in the Martin Park area at City Hall. They provided a cost estimate of \$50,000-\$60,000. Mayor Jordan explained Mr. Widler’s career was in park management and the City is fortunate to have him

working with the City. Parks Committee Chair Michael Widler reported in response to a survey by the Committee respondents wanted additional sports courts in the City. Michael said if the City were to spend this kind of money then it should be done the right way which would be to build multi-use courts with the main courts being tennis or pickle ball as well as basketball by adding goals at either end. He said pickle ball takes up about half of a tennis court so you could get two on one tennis court and by making it where the nets could be cranked up you could have volley ball courts. Michael said he had looked at something called a VersaCourt®, which was laid down on any surface so instead of doing a concrete surface it could be paved and the VersaCourt® placed on top. It is made of tiles which reduce the shock to ankles, knees and hips and made a natural playing surface and once installed they were guaranteed for life. City Manager Stan Farmer said sports courts were listed in the survey done by the Long Range Planning Advisory Committee as something the City needed. Council Member Clinesmith said she thought this was a good idea and if the City proceeds with the project she would prefer to front load it and go ahead and install lighting to complete the project instead of doing a little at a time. Council Member Lambert was also supportive of the idea. Michael reported in the Parks Plan incorporating a 501(c)(3), Friends of Parks, which would help the City fund the development of parks in the City. Mayor Jordan said he believed there was interest in this project and asked Michael to determine what the cost might be and ask staff to see where money might be found in the budget for this year or next to fund this. Council Member Lambert asked about alternate funding other than the budget. Michael suggested the City look into the formation of a 501(c)(3) and City Manager Farmer said he would ask the City Attorney to research forming a 501(c)(3).

City Manager Stan Farmer gave an overview of this year's budget and reported it had one important initial objective: Meet all needs of General Fund activity with a tax rate of \$.25. This could be accomplished, and the draft budget does so with a balanced budget. He stated that Council needed to propose a tax rate at this meeting. Once proposed, the rate could not be increased. The draft budget assumes a \$.222 (unchanged) General Fund O&M rate and a Debt Service (I&S) rate of \$.028 for a total rate of \$.25. Mr. Farmer said the O&M and the I&S numbers might change but would still remain at a total of \$.25.

There are three things of note with regards to this draft. One, this first draft workshop budget contains a conservative estimated increase in health care costs now as opposed to waiting to supply a more definitive number at August workshop. Staff plugged in a 10% increase for health care costs as more of a placeholder exercise so Council could get a better feel in June where the budget stands. Staff had met with and are working with our health insurance broker Lee Cameron from Frost Insurance to compile the best and least expensive option for Council consideration. However, like past years that information would not be available until the August workshop but our discussion so far leads us to believe that the eventual cost would hopefully not be as high as the 10% increase plugged into this draft budget and might be in the 8% to 10% range.

Second, the first draft workshop budget contained salary and correlating FICA and retirement data increases, once again more of a placeholder so Council could get a better feel in June where the budget stands. Staff simply used the same evaluation score that each employee

received last year in relation to their projected raise based on the current Appendix C Merit Table Council approved last August. Once again this exercise was just to show a modest increase in salaries now for Council to get a better feel of where the budget stands in June as opposed to August.

Third, the three full-time positions being asked for by staff—GIS Administrator, IT Administrator, and Development Services Planner—had all been added to this draft budget, once again more of a placeholder exercise so Council could get a better feel in June where the budget stands.

Statutorily, this year the City Manager must propose a budget no later than August 15, fifteen days before our next budget workshop August 30. The Proposed Budget would be based on the draft budget and the comments and actions at the workshop on June 28. Obviously, changes could still be made before it is voted on by Council September 20.

Community Services Director Jeff Koska reported the Utility Fund was run on rates not taxes and the determination of rates would come later on. He explained he has a spreadsheet that accumulated five years of data and then staff would go through and evaluate each line item to come up with a five year average. He then sat down with his operational staff to review the needs for the upcoming year. The discussions included needs, wants and operational things they needed to work on including Capital Projects and refine those down to a priority basis and come up with the project process. Jeff explained much of his budget was determined by factors such as rain when there would be less water usage or drought which would increase the revenue. He said they based their budget on a non-drought year so it was conservative on expenses and revenue; however, due to the fact it was weather driven if there were more production needed it would affect the expenses but the revenue would offset that increase. Jeff said it was the same with sale of grinder pumps based on new development. He said this budget did not have any rate increases but did have a 1% growth rate in the expenses and also in the growth of services. Later in the budget process the rates would be discussed at the August budget meeting and they would be adopted at the September Council meeting. Jeff reported the routine capital expenses had been set up as non-debt funded projects which basically come out of the rates. That was done when the rate model was set up early on. He said the major capital items were presented without deductions for developer contributions and were usually separated out as they have a higher expense and have longer term. Jeff said the revenues were based on 1% growth with the exception of solid waste revenues and expenses where Progressive would have a 1% increase in income and expenses as well; however, the City might publish a request for proposal and might possibly contract with a different provider. This would be known by the next budget meeting in August. Jeff reported water and wastewater demands were expected to be similar to where they were in 2016; however, this would be difficult to predict. Jeff said the administration side of his budget showed the biggest increase which was due to the possibility of adding two positions and that expense would be split with the general fund as support positions for the two funds, but his collective expenses averaged at 4.8% so basically his budget for the utility fund was flat. Jeff reported there would be some increase whenever the City had to grind instead of burn the brush which would cost considerably more. Jeff reviewed the list of Capital Expenditures.



The meeting adjourned for a recess at 10:40 a.m.

The meeting resumed at 10:47 a.m.

Police Chief Rocky Wardlow reported there were some very minor tweaks in his operating budget for this year. Next, Chief Wardlow reported the Police Department was requesting a total of \$81,000 for five capital projects including one administrative vehicle for the Code Enforcement Officer and other items which included replacing office computers, six digital Tasers and to begin a conversion to Motorola radios because the current Kenwood system was not adequate. Chief Wardlow reported Assistant Chief Garth Davis was working on a LCRA grant application to purchase handheld radios for uniformed officers. Assistant Chief Davis gave a presentation on the proposed purchase of six body and 12 in-car cameras. Chief Davis said body cameras were relatively new technology and explained what issues they would help address including giving a much better view of what happened than an in-car camera alone would provide, they had been shown to help prevent crime, reduce traffic accidents and expedite complaints against police officers. He also reviewed the department's retention schedule for these recordings and what was required. Chief Davis said after a great deal of research chose the Taser brand cameras that use cloud based storage and the cost is approximately \$400 each.

Fire Chief Joe Morris reported he determined in January that based on salaries and wages for part-time firefighters and the overtime he was having to pay that he would go over budget and in order to stop that and cover further costs he decided to stop all ancillary spending. He said he can't do that two years in a row and some of the reasons included the compensation time which was costing him a lot of money. Also, the flex pay for staff when they act in an upper position they are paid an additional \$25 per day and that was incurred on a regular basis and but was never budgeted. Chief Morris said the sick leave buy back that employees can take advantage of was not budgeted either. He said the big discrepancy came from his staffing philosophy. Chief Morris said his predecessor was willing to run short when one of the scheduled firefighters was on vacation, sick, etc. He said it was not uncommon to only have four firefighters on duty and he was not willing to do that. Chief Morris said he hoped the City would cover the increases for the reasons he presented. He reported the Fire Department also needed to update their handheld radios with the purchase of 8 Motorola XP 6000 portable handheld radios for the cost of \$35,300.24. Chief Morris said currently, the rescue capabilities of the Horseshoe Bay Fire Department were limited in regards to an injured person located any distance off the pavement. With the construction of the proposed Horseshoe Trail Park and the many golf courses located in the City limits, it would greatly improve the Fire Department's service delivery to purchase an off road utility/rescue vehicle. He requested funds to purchase a 2016 Polaris Ranger Crew 570 outfitted with a rescue bed from Kimtek Corporation. This would allow the fire department to access victims located in remote areas and provide medical treatment while transporting them to the awaiting ambulance on the roadway. The total cost requested was \$21,099. Chief Morris said he would be requesting a grant for this item through LCRA during the next application period which would require a 20% matching, but he requested through the budget process as a contingency if denied through the grant process. There was also the possibility funding

could come from FY-16 money, if available. He said this acquisition was necessary prior to the start of the construction of Horseshoe Trail Park due to the inaccessibility of the workers clearing the rugged terrain. Chief Morris stated the Fire Department does not have the ability to perform hands on training in an environment that simulates a structure fire. He said the best case scenario for performing these hands on training drills was in a parking lot. In order to properly train for these high hazard, low frequency events they need to create a work environment that matches the hazardous event as closely and safely as possible. He proposed the construction of a live fire training center on the property located near the reclamation center. Chief Morris said this type of facility could be constructed in phases and increased in size and functionality as funds are available. The cost of phase one would cost \$49,500 and could easily be expanded at a later date.

The meeting adjourned for a recess at 12:00 p.m.

The meeting resumed at 12:30 p.m.

Development Services Director Eric Winter reported the largest proposed increase in his budget for FY2017 was for the addition of a staff person but that would be discussed later in the meeting. He requested a replacement for the computer used with the scanner that works with their plotter/printer. Eric added other increases were linked to the addition of the new position. He said the one capital item they really needed was not included in the FY2017 Capital Improvement Budget and was for \$8,500 to replace the current scanner. It was no longer capable of producing acceptable quality scans. Eric said it was about 15 years old and current technology did not allow it to synchronize with the recently purchased plotter/printer. He said it was not in the current proposed budget because it was possible it could be purchased in the current year's budget.

Finance Director Larry Anderson reported the draft Administration budget was a net increase of \$125,500 which was a 6.8% increase. He said the majority of that increase was due to the inclusion of the two proposed new positions in the Administration Department, GIS and IT. Larry said the total amount in the draft budget was \$162,000 and explained all the expense was in the Administration budget and then if the positions were not approved it would be easily removed. He said as Jeff reported, based on certain services provided for the Utility Fund by the Administration employees, the Utility Fund pays 50% of those expenses. Larry said that 50% was already included in the Utility Fund budget. He further explained that the entire expense of the two new positions was in the Salaries and Wages line item rather than spreading it out into the FICA, Insurance, etc. line items which would make it easier to take out if the positions were not approved by Council. Larry said if the positions were approved staff would determine the salary and then the additional expenses could be allocated to the appropriate line items. Larry explained the 10% plugged in for increased insurance premiums was hopefully on the high end and once the actual quote was received that amount would decrease. He also reported the amounts for appraisal expense for Burnet and Llano counties could change since he had not received the final amounts. Larry reviewed several other items including Advisory Committee, Dispatch, Property and Liability insurance along with the Contingency. Council discussed the fact that prior to any Contingency funds being spent that it had to come before Council for approval each time. Council requested a more detailed report on the City's debt be prepared and distributed to them. Next, the operating revenue for

the Administration department was reviewed. Larry explained that property taxes are made up of Maintenance and Operations (M&O) and Interest and Sinking (I&S) and that the current \$0.25 tax rate is made up of M&O \$.222 and I&S \$.028. Larry proposed modifying the allocation. He said a transfer from M&O currently had to be done in order to cover the I&S and this should not be necessary and proposed reallocating the percentage even if the tax rate was not increased. If this were done it would not affect the budget but would just net out. Larry reported the HSB POA would complete their catch-up amount for street maintenance in FY 2016 so that would lower the income in the FY 2017 budget.

Community Services Director Jeff Koska reviewed the need for the two additional positions with the Council. He explained staff had been trying to manage many technical issues in-house; however, the increased complexity had grown to the point it was beyond the current staff's ability to keep up with advances and necessary security. Council Member Gray said he was astounded that the City staff had been able to do without these two positions for so long and said this probably should have been done before and clearly needed to be done now. He asked about how to insure the right people were hired for what needed to be done. Jeff said the Senior Management team had been working on this but did not proceed until coming to Council for guidance on adding these positions. The job descriptions would be written to insure they were inclusive of everything necessary. Council was fully behind adding these positions and encouraged staff to get started and have someone ready to come on board by October 1.

Development Services Director Eric Winter explained he had found it more difficult to keep up with the routine as well as the specialized things he does. He asked Council to consider hiring an assistant planner to handle all the routine items such as reviewing replats, subdivision plats, variances, etc. City Manager Farmer explained Bobbi Havins spends about half her time on Municipal Court duties and he would like to transfer her out of the Development Services Department and move her to the front lobby with the utility billing staff as the municipal clerk. If the assistant planner position was approved, Development Services would have three full time employees. Stan added that Eric would not have to manage the Municipal Court and that task would move to Stan. Bobbi would continue back up in Development Services, continue the Municipal Court duties and help Stan with some projects. Council Member Gray said he liked the idea of adding someone to train to take over as director when Eric retired. Mayor Jordan commented on the upcoming development in the City. Council supported the addition of this position.

City Manager Farmer reviewed the Animal Control budget with the increase mostly reflected in the Deer Management line item. Mayor Jordan requested the trapping equipment be upgraded. Stan also reviewed the Streets Maintenance budget with the Council. Council requested details regarding availability of a weekly bulk pickup by the solid waste provider for the July meeting.

City Manager Farmer reported the 5-year Capital Plan was something he worked on with Department Directors. Council Member Clinesmith asked that any future known capital items be included in the 5-year Capital Plan for the August Budget meeting.

Finance Director Larry Anderson reviewed past years' tax rates and the comparison between a \$0.25 and \$0.26 tax rate. He said he felt the numbers from Llano and Burnet counties were conservative but he would not know the final numbers until July 25 then he would be able to determine the necessary reallocation between the M&O and I&S.



City Manager Stan Farmer said a salary survey was done on a bi-annual basis and was done this year to determine salary ranges for benchmark positions. Staff then used the previous year's achievement level to determine an estimate of this year's increase for each employee. He recommended a total merit adjustment of approximately three percent which would be \$128,000 over a calendar year and \$96,000 for the next fiscal year. This amount was already built into the proposed budget. The Council discussed the request for three percent and that it was not a cost of living increase but based on the City's policy and each employee's evaluation.

The Meeting Schedule showed the next Budget Workshop scheduled for August 30 at 9:00 a.m. and a third meeting was scheduled for September 6 at 9:00 a.m., if necessary. The September 20, 2016 meeting agenda would include the necessary public hearing on the proposed budget along with action to adoption of the budget, adoption of the tax rate and approval of the utility rates.

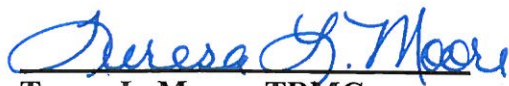
4. Discuss, Consider and Take Action Regarding Merit Compensation Adjustments: Council Member Clinesmith made the motion to approve 3%, seconded by Council Member Pope. Motion passed unanimously (5-0).
5. Propose Tax Rate: Finance Director Larry Anderson clarified to the Council that once the Council proposed the tax rate it could not be increased; however, it could be decreased. Larry recommended the Council propose the tax rate \$0.26. After discussion Council Member Gray made the motion to propose the 2017 tax rate at a total proposed rate of \$0.26, seconded by Council Member Pope. The motion passed (4-0-1), with Haydon abstaining). The proposed tax rate would be set at the September 20, 2016 Council meeting.
6. Adjournment: Mayor Pro Tem Haydon made a motion to adjourn the meeting at 1:58 p.m. The motion was seconded by Council Member Pope. The motion passed unanimously (5-0).

APPROVED this 19<sup>th</sup> day of July, 2016.

CITY OF HORSESHOE BAY, TEXAS

  
Stephen T. Jordan, Mayor

ATTEST:

  
Teresa L. Moore, TRMC  
City Secretary

